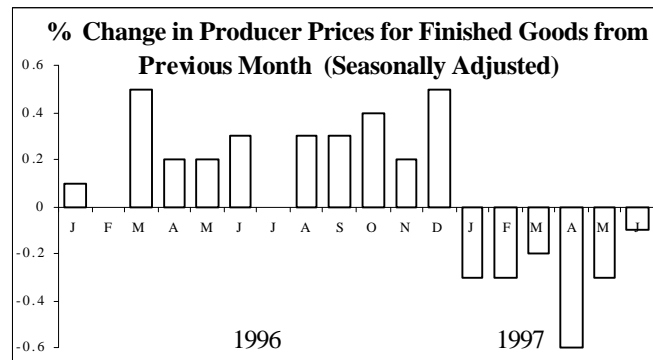
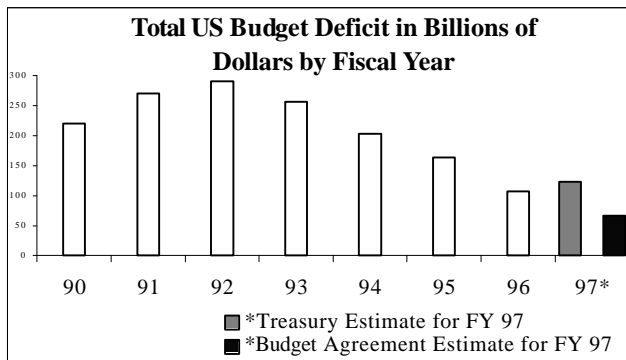


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FEDERAL DEFICIT CONTINUES DOWNWARD

The Treasury Department reported that the Federal budget deficit for the first 8 months of the 1997 fiscal year was \$65 billion, 40% lower than in the same period last year. Although the Treasury Department predicts that the deficit will increase to \$125 billion this fiscal year, compared with \$107 billion last year, the administration and congress in their budget agreement estimated a budget deficit of \$67 billion. In addition, many forecasting firms predict that the deficit could turn into a surplus next year. The improvement over last year is explained by higher tax receipts associated with a growing economy.

PRODUCER PRICES FALL FOR SIX STRAIGHT MONTHS

The Labor Department reported that producer prices for finished goods fell 0.1% in June, the sixth consecutive monthly decline. Since January producer prices have fallen at a 3.4% annual rate. June's decline in prices was driven by a strong decline in food prices. Energy prices showed a slight rise, the first since December 1996. Excluding the volatile food and energy sectors, the core producer price index rose 0.1%.

RUSSIA REPORTS ECONOMIC GROWTH

The Russian Prime Minister reported that Russia's Gross Domestic Product grew a little more than 1% in the first half of this year compared with the first half of 1996. This is the first time that positive economic growth has been reported over an extended period since the Soviet Union was dissolved in 1991. In a separate report, the Russian government reported that the monthly inflation rate was 1.1% in June, a significant improvement from the double digit monthly rates in recent years.

JAPAN'S TRADE SURPLUS UP IN MAY

The Japanese government reported that Japan's current account surplus with the world was \$8 billion in May, 1 1/2 times greater than in the same period last year. This growth in the surplus was driven by a very strong increase in exports. Japan's government also reported that Japan's foreign reserves, which have been the highest in the world, increased in June to over \$222 billion.

VALUE OF DOLLAR HITS 40 MONTH HIGH

Since the Spring of 1995 the dollar has advanced against the German currency from 1.37 marks/dollar to 1.75 marks/dollar, an increase in buying power of 28%. This development may be attributed to slow growth and high unemployment in Germany and the sustained strong growth in the US economy.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>July 4</u>	<u>June 27</u>		<u>July 4</u>	<u>June 27</u>
Crude Oil (Foreign)	16.40	15.60	DM (Germany)	1.75	1.73
Crude Oil (Domestic)	19.58	19.48	Yen (Japan)	113.4	114.6
Pound (UK)	0.593	0.599	Peso (Mexico)	7.96	7.96
Ruble (CIS)	5788	5762	Won (S. Korea)	887	888

The Economic Bulletin is published by the Office of the Assistant Secretary of the Army (FM&C), SAFM-RB. Should you have any questions or comments please contact Dr. Robert Raynsford at (703)697-2281 (DSN 227-2281). This publication is available on the Internet World Wide Web (http://134.11.192.15/pubs/eco_blt/economic.htm). Contact WELTZLJ@HQDA.ARMY.MIL for more information.